

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

August 22, 2005

In Reply Refer To:  
California Independent System Operator  
Corporation  
Docket No. ER05-1013-000

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Gentlemen:

1. On May 24, 2005, as amended on August 2, 2005,<sup>1</sup> the California Independent System Operator Corporation (CAISO or ISO) filed with the Commission a Southwest Powerlink (SWPL)<sup>2</sup> Operations Agreement (Operations Agreement) between the CAISO

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<sup>1</sup> The amendment was filed in response to a deficiency letter issued on July 13, 2005. *California Indep. Sys. Operator Corp.*, Docket No. ER05-1013-000 (July 13, 2005) (deficiency letter).

<sup>2</sup> The SWPL is a 500 kV transmission line that runs from the Palo Verde/Hassayampa Substation in Arizona to the Miguel Substation in San Diego County, California. The entire SWPL line is located within the CAISO control area. SDG&E, Arizona Public Service Company (Arizona PSC) and the Imperial Irrigation District  
(continued)

and San Diego Gas & Electric Company (SDG&E). The CAISO states that that Operations Agreement effectuates, in part, a settlement between the CAISO and SDG&E that resolves protracted litigation related to the ISO's assessment of rates and charges to certain transactions on the SWPL. The CAISO states that the settled matters include the issues in Docket No. ER04-24-000<sup>3</sup> and Docket No. ER04-115, *et al.* However, the CAISO, in an answer filed in the instant proceeding, notes that it does not seek approval of the non-grid management charge related portions of the Settlement Agreement in Docket No. ER04-115-002, *et al.*

2. According to the CAISO, the Operations Agreement establishes, on a prospective basis, the operating requirements for the SWPL to ensure that the SWPL is operated and scheduled in a reliable manner. The CAISO states that the Operations Agreement also allows the ISO to continue to use unused SWPL capacity in real time. The CAISO explains that the Operations Agreement includes a new line operator charge,<sup>4</sup> which the ISO will assess to SDG&E to compensate the ISO for its capital costs and operating expenses associated with the administration of the joint ownership of the SWPL for the benefit for all ISO customers. The CAISO adds that the Operations Agreement resolves that transmission loss issue related to transmission losses for Arizona PSC/Imperial Irrigation District SWPL transactions.

3. The CAISO requests waiver of the Commission's 60-day prior notice requirement to permit an effective date of June 1, 2005. The CAISO states that good cause for waiver exists because:

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jointly own the SWPL. As the majority owner, SDG&E operates the line and serves as the scheduling agent for Arizona PSC and Imperial Irrigation District transactions on the SWPL and is responsible for submitting schedules for such transactions to the CAISO. In 1998, SDG&E transferred operational control of the SWPL line to the CAISO through the signing of a Transmission Control Agreement.

<sup>3</sup> We believe that the CAISO intended to reference Docket No. EL04-24-000 rather than Docket No. ER04-24-000.

<sup>4</sup> According to the CAISO, the line operator charge will be a total of \$1 million for the years 2001 through 2004. CAISO Transmittal Letter at 4. For the period from 2005 through 2010, the annual line operator charge will be \$1,577,000. *Id.* Effective January 2011, the amount of the line operator charge will be evaluated annually and adjusted to reimburse the ISO for the forecasted costs associated with such joint ownership, unless the parties mutually agree to a multi-year calculation. *Id.*

the ISO is in the process of undertaking the preparatory rerun calculations approved by the Commission in Docket No. ER03-746 and an effective date for this agreement no later than June 1, 2005 is necessary for the ISO to reflect the settlement in such calculations; otherwise, time-consuming manual adjustments will be required going back to April 1998. In addition, this Operations Agreement is part of a broader settlement between the ISO and SDG&E, which resolves long-standing litigation and brings substantial benefits to the ISO and its customers by ensuring that the SWPL transmission line will remain in the ISO Control Area and continue to provide curtailment sharing and non-firm access to additional transfer capability, and that the line will be operated and scheduled in a reliable manner. Allowing the Operations Agreement to become [sic] as soon as possible will also limit the financial impact of the settlement to Market Participants.<sup>5</sup>

4. Notices of the filings were published in the *Federal Register*, 70 Fed. Reg. 37,384 and 70 Fed. Reg. 46,834 (2005), with protests and interventions due on or before August 12, 2005. Arizona PSC; the City of Redding, California, the City of Santa Clara, California and the M-S-R Public Power Agency, jointly; the Imperial Irrigation District, the Modesto Irrigation District; Pacific Gas and Electric Company (PG&E); SDG&E; Southern California Edison Company; and the Transmission Agency of Northern California filed timely motions to intervene. Arizona PSC filed comments in support of the filing, and PG&E filed a motion for consolidation of this proceeding with Docket Nos. ER04-115-002, ER04-115-003, EL04-47-002, EL04-47-003, ER04-242-000 and EL04-50-000. No protests were filed. On June 28, 2005, the CAISO and SDG&E filed an answer to PG&E's motion.

5. Our review indicates that the Operations Agreement appears to be reasonable and has not been shown to be unjust, unreasonable, unduly discriminatory, preferential or otherwise unlawful. Accordingly, we accept the Operations Agreement for filing.<sup>6</sup>

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<sup>5</sup> *Id.* at 5.

<sup>6</sup> Because we are not setting this proceeding for a trial-type evidentiary hearing, we will not consolidate this proceeding with Docket Nos. ER04-115-002, ER04-115-003, EL04-47-002, EL04-47-003, ER04-242-000 and EL04-50-000.

Because we find that the CAISO has demonstrated good cause for waiver of our prior notice requirement, as explained above, we will allow the Operations Agreement to become effective June 1, 2005, as requested.

By direction of the Commission.

Linda Mitry,  
Deputy Secretary.